

Recent State Tax Reforms Affecting State Sales Taxes

1987

Florida imposed a broad tax on services in May and repealed it in December

1990

Massachusetts enacted substantial tax on business and professional services. The tax was repealed before revenue was collected, in deference to the then new governor.

1994

New Mexico repealed its sales tax credit for food and medical expenses. New Mex. used the \$20 million saving to increase Medicaid eligibility and *AFDC*. Because the federal government matched this funding in the ratio three to one, New Mex. was able to increase spending for the poor by \$80 million.

1999

Michigan passed gradual repeal of its VAT tax (the 'Single Business Tax'). The phase out will take 23 years. Michigan has not passed a replacement tax.

2002

Nebraska extended its state sales tax to additional services, including building and cleaning, maintenance and pest control, security, motor vehicle washing, waxing, towing and painting, charges for installation labor when the property being installed is subject to the sales tax, and computer software training.

2005

Ohio: reduced its personal income tax rate from 7.5% to 6%; phased-out tax on tangible personal property and inventory and its corporate franchise tax (except for bank subsidiaries and insurance companies); eliminated the local property tax on inventory and machinery; increased taxes on business real estate, general sales, and cigarettes; enacted a new business privilege tax on gross receipts (the 'Commercial Activity Tax').

2006

Texas and South Carolina cut property taxes and raised other taxes. New Jersey cut property taxes and paid for cuts by increasing sales taxes.

2007

1,047 online retailers have agreed to collect Vermont sales tax. They will have amnesty from back taxes owed.